

# **Overview of Mayor's 2015 Recommended Budget**

**Prepared by  
the Finance and Property Services  
Department  
September 8, 2014**



# **2015 Budget Major Highlights**

# Major Highlights

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- Mayor recommends a 2.4% increase in the tax levy
- Mayor's recommended levy is slightly over the tax policy expected increase of 2.0%
- Mayor's Recommended Budget is \$1.187 billion, a 4.8%, or \$54.7 million increase from the 2014 adopted budget of \$1.132 billion
- Mayor's Recommended Budget maintains current service levels from 2014, including inflationary and mandated cost increases of \$14.7 million
- Mayor recommends on-going funding for program enhancements of \$41.8 million and \$12.9 in one-time items

# Major Highlights

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- The Mayor's 2015 Recommended Budget lays the groundwork for the future by:
  - Providing funding for ten more police officers, a class of 18 cadets, and funding for a class of CSOs
  - Providing funding for police body cameras, and four additional 911 operators
  - Providing funding for the fire department's fire and emergency services explorer program and two recruit classes
  - Provides resources for programs in support of racial diversity initiatives, including the addition of two positions in the city coordinator's office ensuring city work is coordinated to support the best possible racial equity outcomes



# **2015 Budget Financial Overview**

# Financial Overview

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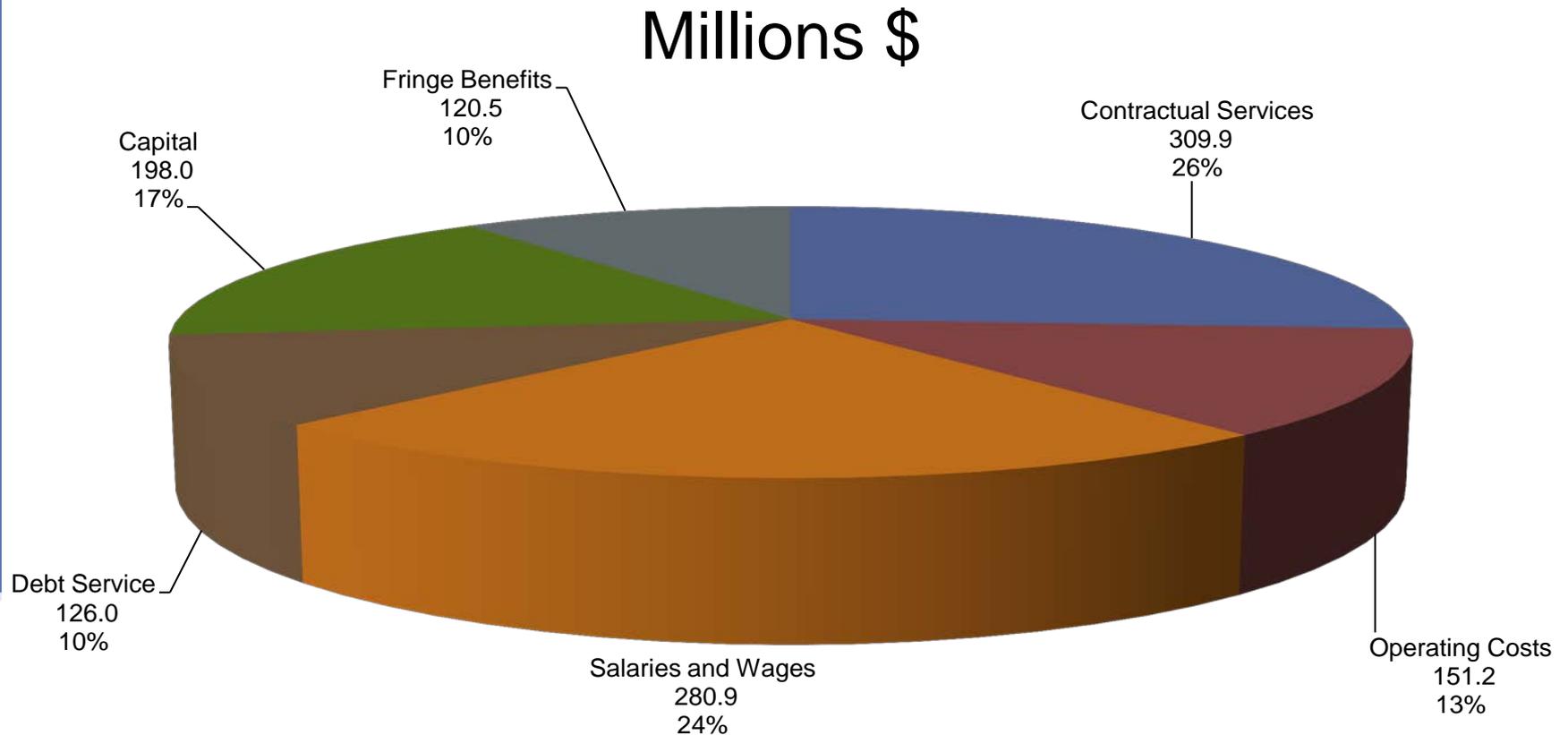
- **\$1.187 Billion Budget**

- Spending level increases by \$54.7 million, or 4.8%, from 2014 Adopted Budget

- **3,841.90 Positions**

- Increase of 76.52 positions from 2014 level

# Mayor's Recommended 2015 Budget Expenditures by Major Type \$1.187 Billion

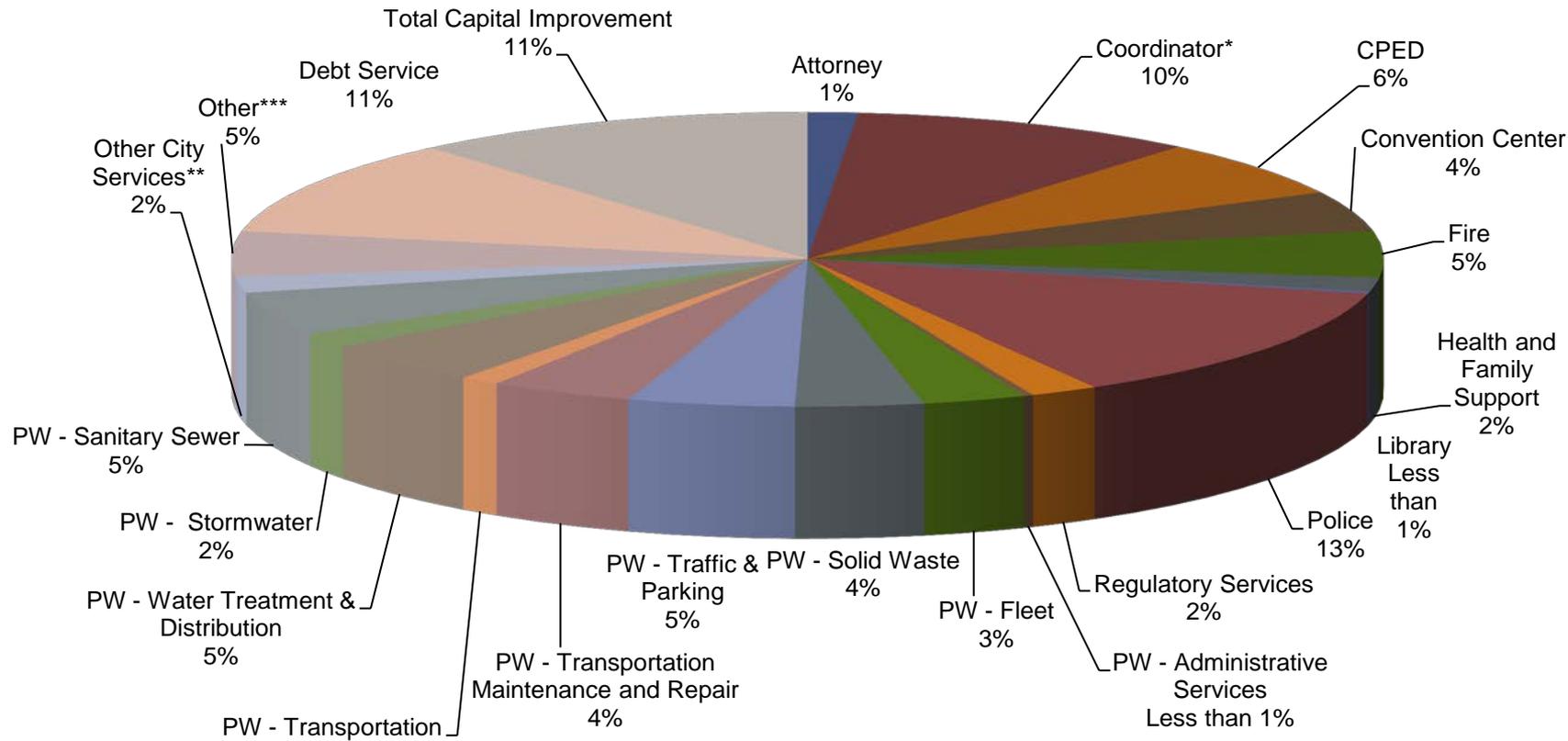


\*The Capital category includes capital improvements in the City's Capital Program as well as capital expenditures associated with the CARs program

# Mayor's Recommended 2015 Budget

## Expenditures by Major Functions

### \$1.187 Billion

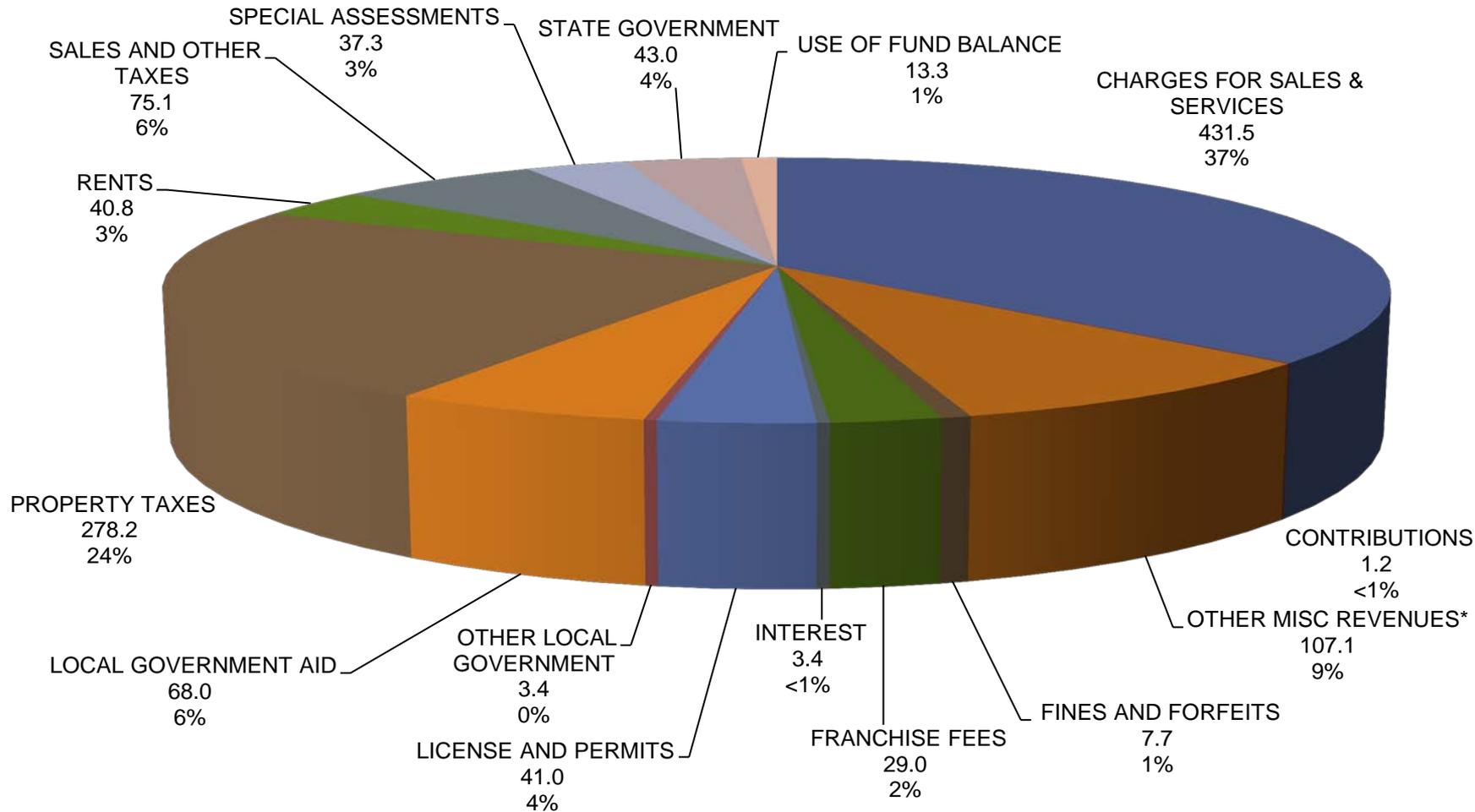


\* Includes Human Resources, Finance & Property Services, 311, Intergovernmental Relations, Communications, Neighborhood and Community Relations, IT, 911 and Emergency Management. Convention Center is broken out for illustrative purposes.

\*\* Includes Assessor, Internal Audit, City Clerk, City Council, Civil Rights and Mayor

\*\*\* Includes Non-departmental, Health and Welfare, Worker's Compensation, Liability, Contingency and Pensions

# Mayor's Recommended 2015 Budget Revenues by Major Sources \$1.085 Billion

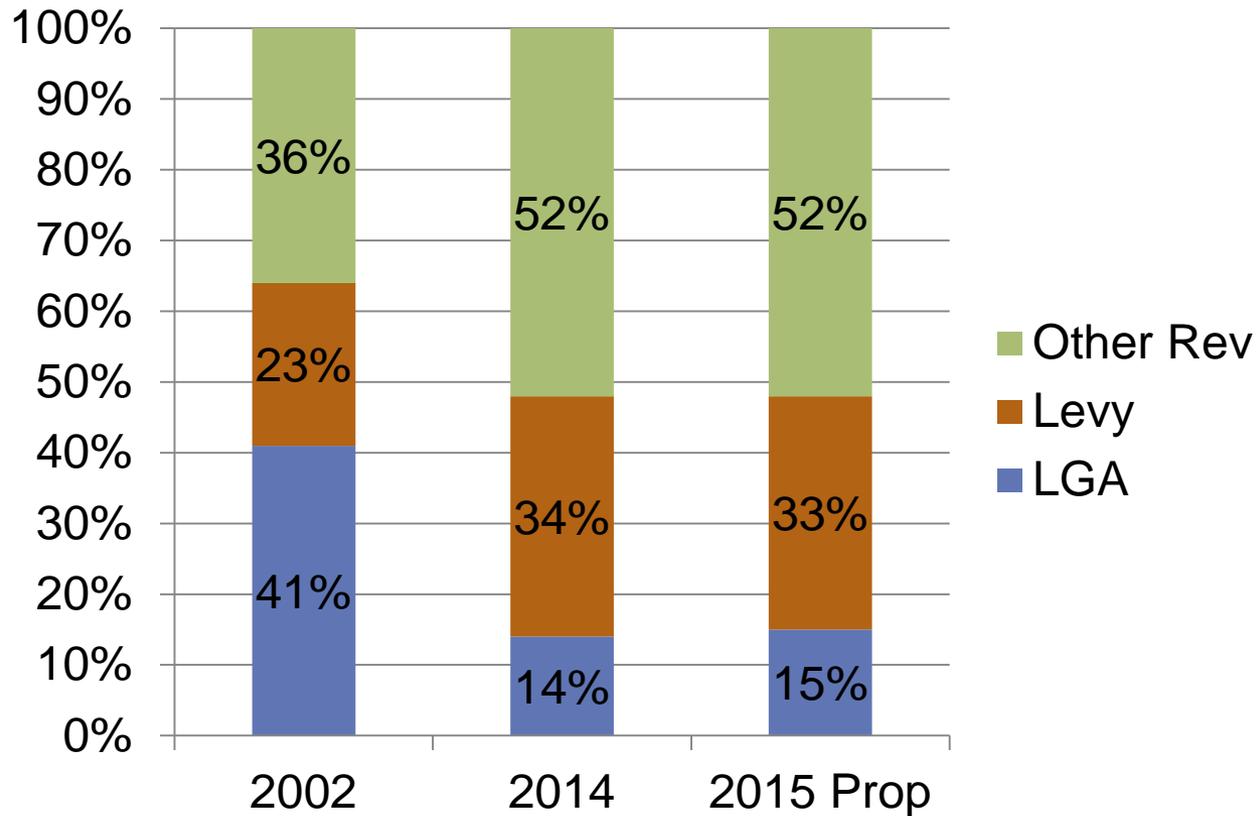


\*Other Misc Revenues includes gains, contributions, and proceeds from long-term liabilities such as bonds

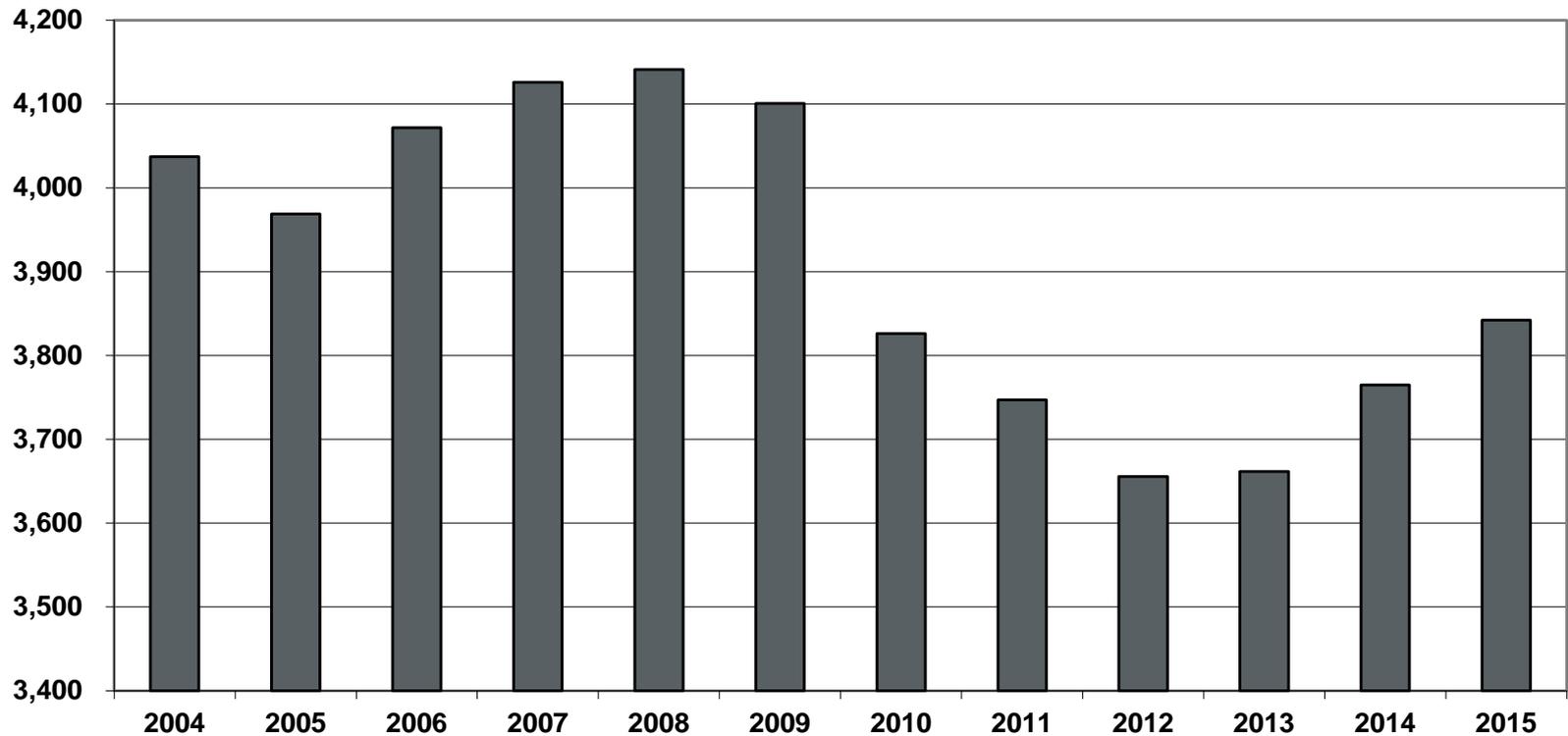
# Mayor's Recommended 2015 Budget

## Levy and Local Government Aid Funding

(for City General Fund)



# Historical FTE levels\*



\*Excludes Independent Boards

Total FTE count for 2015 is 299 less than in 2008 for City Departments



# **2015 Budget**

# **Major Budget Considerations**

# Mayor's Recommended 2015 Budget

## Budget Considerations

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- Funding for pension liabilities
  - The City's levy obligations for its pension funds that have merged into remain constant for 2015 at the 2014 level of \$27.3 million.
- Regular costs for the City's obligations to PERA for current employees are expected to be \$29.6 million in 2015. Beginning in 2015, the employer's contribution to the Police and Fire Plans will rise from 15.3% to 16.2% and the rate for the Coordinated plan will rise from 7.25% to 7.5% - all are accounted for in Recommended Budget

# Budget Considerations

- Personnel and benefits
  - *Salary and wages.* The 2015 Mayor's Recommended Budget includes an increase in personnel expenditures (\$280.9 million in salaries and wages, compared to a 2014 total of \$271.0 million).
  - *Benefits.* Health insurance renewal resulted in a reduction of 3% of individual premium amounts. The budgeted health premium is flat from 2014 to account for additions to FTE counts as well as shifts in coverage.

# Mayor's Recommended 2015 Budget

## Budget Considerations

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- ***Funding for Capital Equipment***
  - Deferred maintenance and replacements due to budget pressures in recent years
  - No comprehensive planning or funding mechanism for non-infrastructure capital, including equipment and technology
  - Capital Asset Request System (CARS) process implemented for 2014
  - Uses a five-year planning horizon similar to the Five-Year Capital Program (CLIC)
  - For this five-year cycle, the City received requests from departments totaling \$125.2 million
  - For 2015, the requests totaled \$35.4 million; this budget recommends funding of \$23.8 million for 2015
  - Of the \$23.8 million funded in 2015, \$8.3 million is funded by the General Fund

# Budget Considerations

- Technology funding
  - For 2015, a total of \$2.9 million in technology projects funded through property tax supported debt (\$8.5 million in 5-year plan).
  - Significant systems upgrades for enterprise-systems are on the horizon
  - Ongoing operational cost increases for technology must compete with other priorities for funding
  - The CARS process provides opportunity to plan ahead for other systems

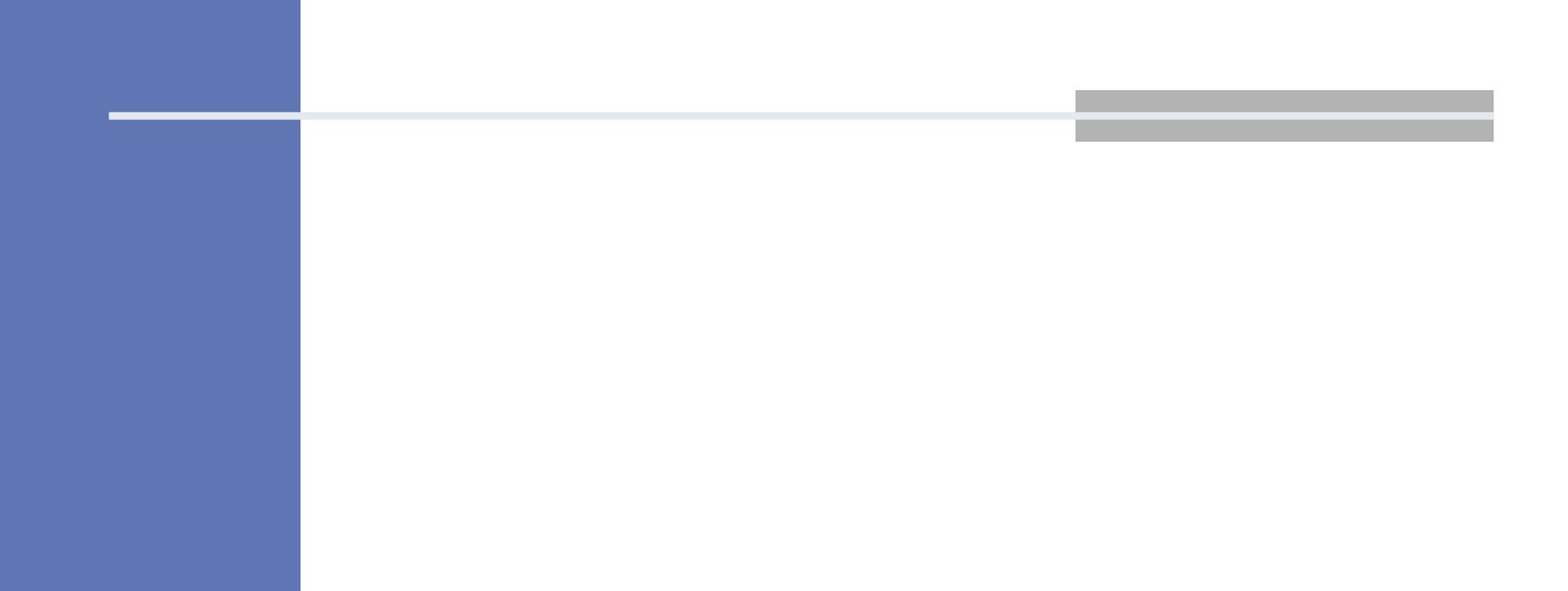
# Budget Considerations

- **Payment of outstanding bond obligations**
  - \$125.9 million in estimated principal and interest payments for 2015, as compared to \$122.5 million in 2014
  - This represents 11% of the City's total budget
- **Funding for City infrastructure**
  - \$133 million in 2015; \$576 million over five years
  - 2015 Budget Recommendation includes major infrastructure improvements
- **Obligation to Hennepin County for libraries**
  - \$9.3 million market value referendum through 2030
  - \$2.3 million in 2015, with declining operating contribution through 2017
  - Beginning in 2016, State will pay 40% of annual levy amount for outstanding bonds

# Future Budget Considerations

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- Workforce Turnover
- Shrinking Workforce/Increased Demands
- Regulatory Complexity/Unfunded Mandates
- Technology Needs
- Emergency/Security Management Needs
- Stadium/Hospitality Facilities
- Aging Office Facilities/Scattered Administrative Workforce
- Improving Economy/Construction Boom
- Diverse Community



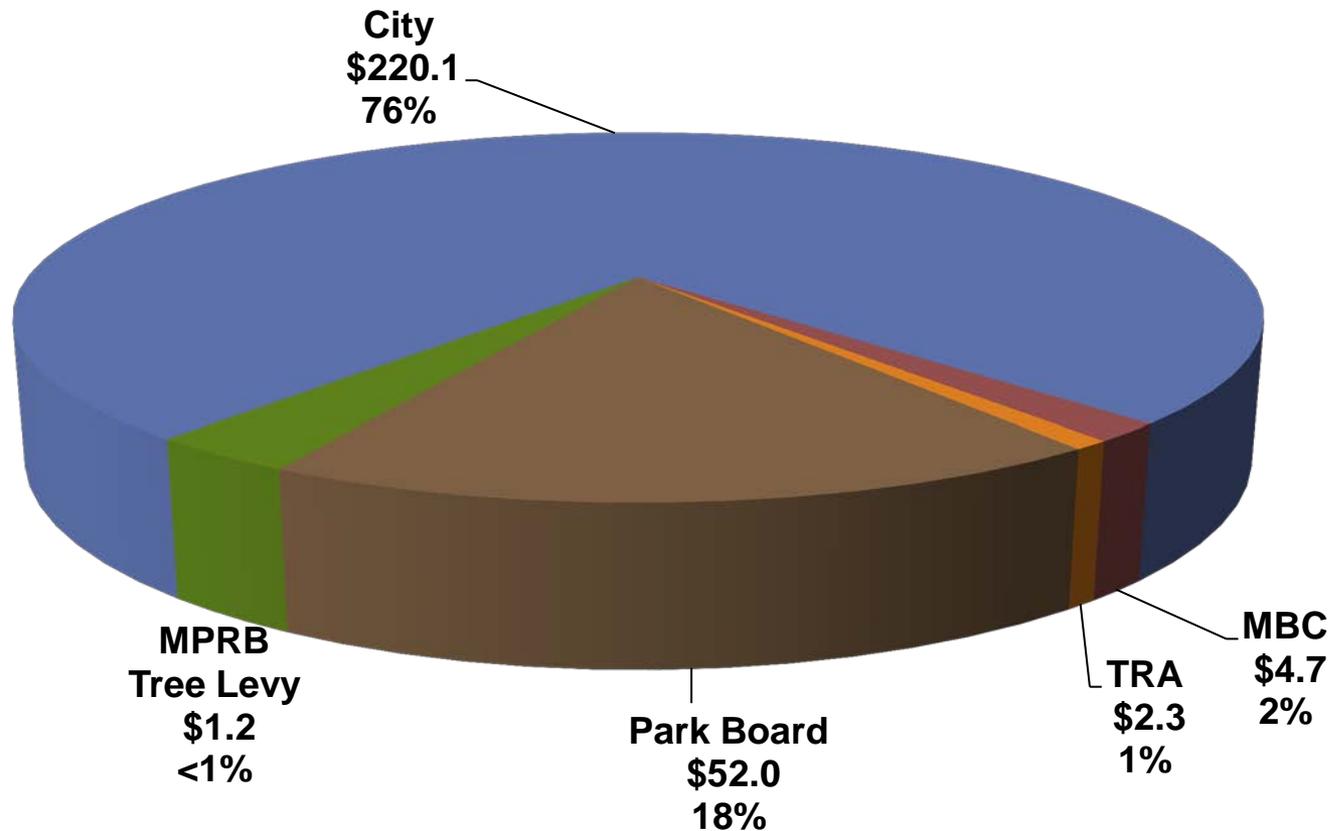
**2015 Budget**

**Property Taxes**

**Includes Taxpayer Impacts**

# Property Tax Levies by Entity

**Total Levy**  
**\$288,424,000**



\*City includes BET, pension, library operating transfer, capital and debt levies

## Mayor's Recommended 2015 Budget

# 2015 Property Tax Levies (millions \$)

|                                    | Adopted       | Proposed 2015 |             |
|------------------------------------|---------------|---------------|-------------|
|                                    | 2014          | 2015          | Chg         |
| <i>General Fund Levy*</i>          | 157.12        | 154.75        | -1.5%       |
| <i>Debt Levy*</i>                  | 29.30         | 35.90         | 22.5%       |
| <i>HRA Levy*</i>                   | 1.00          | 1.00          | 0.0%        |
| <i>Permanent Improvement Levy*</i> | 1.00          | 1.00          | 0.0%        |
| <i>Pensions*</i>                   | 27.31         | 27.31         | 0.0%        |
| <i>BET*</i>                        | 0.17          | 0.17          | 0.0%        |
| Teachers Retirement                | 2.30          | 2.30          | 0.0%        |
| MPRB                               | 49.63         | 52.04         | 4.9%        |
| Library Debt Service               | 9.30          | 9.30          | 0.0%        |
| MBC                                | 4.59          | 4.67          | 1.8%        |
| <b>Total</b>                       | <b>281.73</b> | <b>288.42</b> | <b>2.4%</b> |

# What does revenue increase “feel like” to taxpayer?

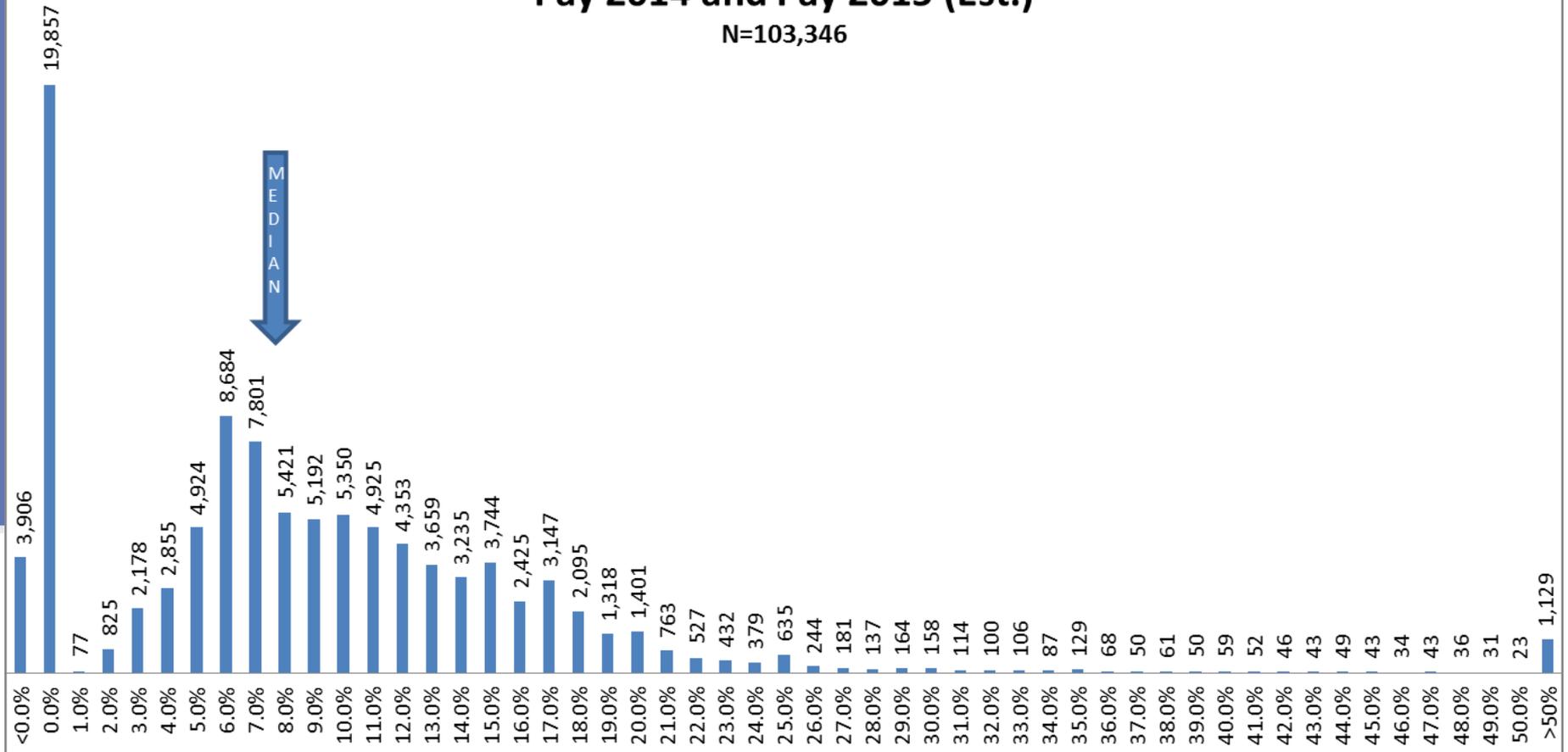
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- Factors affecting actual property tax:
  - market value
  - market value exclusion program
  - citywide tax base
  - tax increment districts
  - levy
- Mayor’s proposal has 2.4 levy increase
- Combining all factors, about 57% of residential Minneapolis property taxpayers will see their City portion of their taxes drop from 2014 to 2015.

# Changes in Property Values

**Distribution of Change in Tax Capacity of Residential Parcels Between Pay 2014 and Pay 2015 (Est.)**

N=103,346



Source: Hennepin County Resident & Real Estate Services – property data as of 07/30/2014

# Mayor's Recommended 2015 Budget

Property tax scenario on typical family home assessed at \$175,000 in 2014 with a 5% increase in value

|                               | 2014       | 2015       | % Change | \$ Change |
|-------------------------------|------------|------------|----------|-----------|
| Assessed Market Value (MV)    | \$175,000  | \$183,750  | 5.0%     | \$8,750   |
| Market Value Credit Exclusion | (\$21,490) | (\$20,703) | -3.7%    | \$788     |
| Taxable Value                 | \$153,510  | \$163,048  | 6.2%     | \$9,538   |
| Tax Capacity                  | \$1,535    | \$1,630    | 6.2%     | \$95      |
|                               |            |            |          |           |
| Total Est City Property Taxes | \$1,151    | \$1,129    | -1.9%    | (\$22)    |



# **2015 Budget Financial Policies**

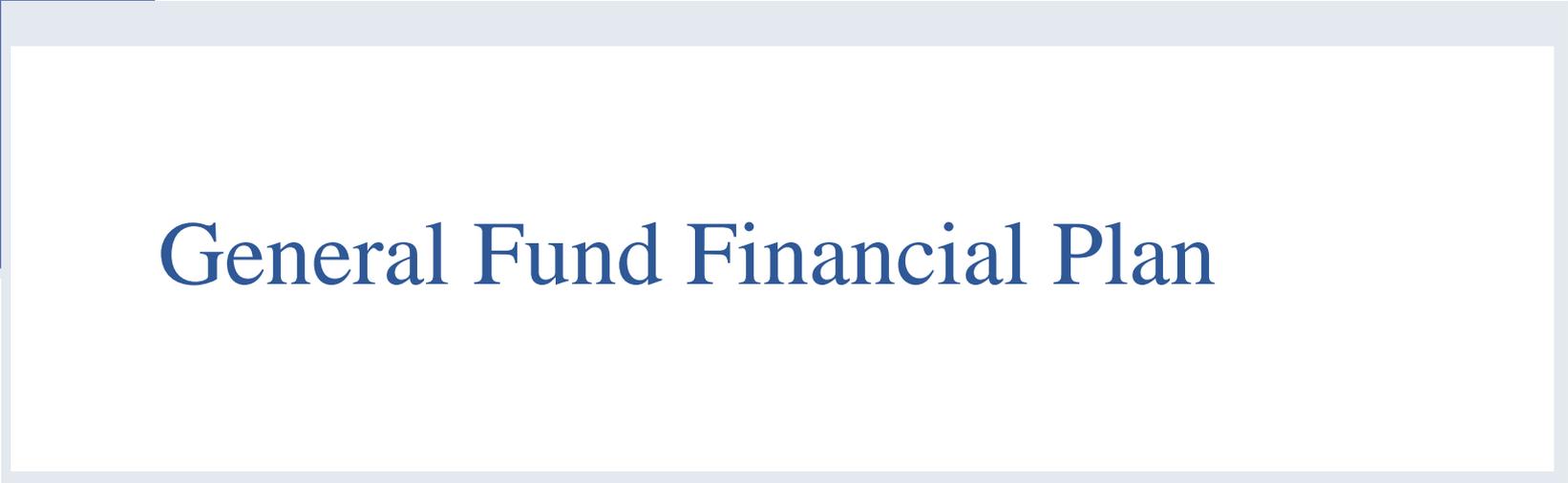
# Financial Policies

## ■ Proposed Updates

- Quarterly reporting to Ways & Means Committee
- Expiration of Aged Budget Appropriation
- Enhanced Internal Controls
- Investment and Procurement Policies
- Cleaning up the language in various sections of the Financial Policies, including:
  - Receivables Collections Policy
  - Subrogation Authority
  - Availing translation assistance of Financial Reports to residents through NCR



# Budget Overview



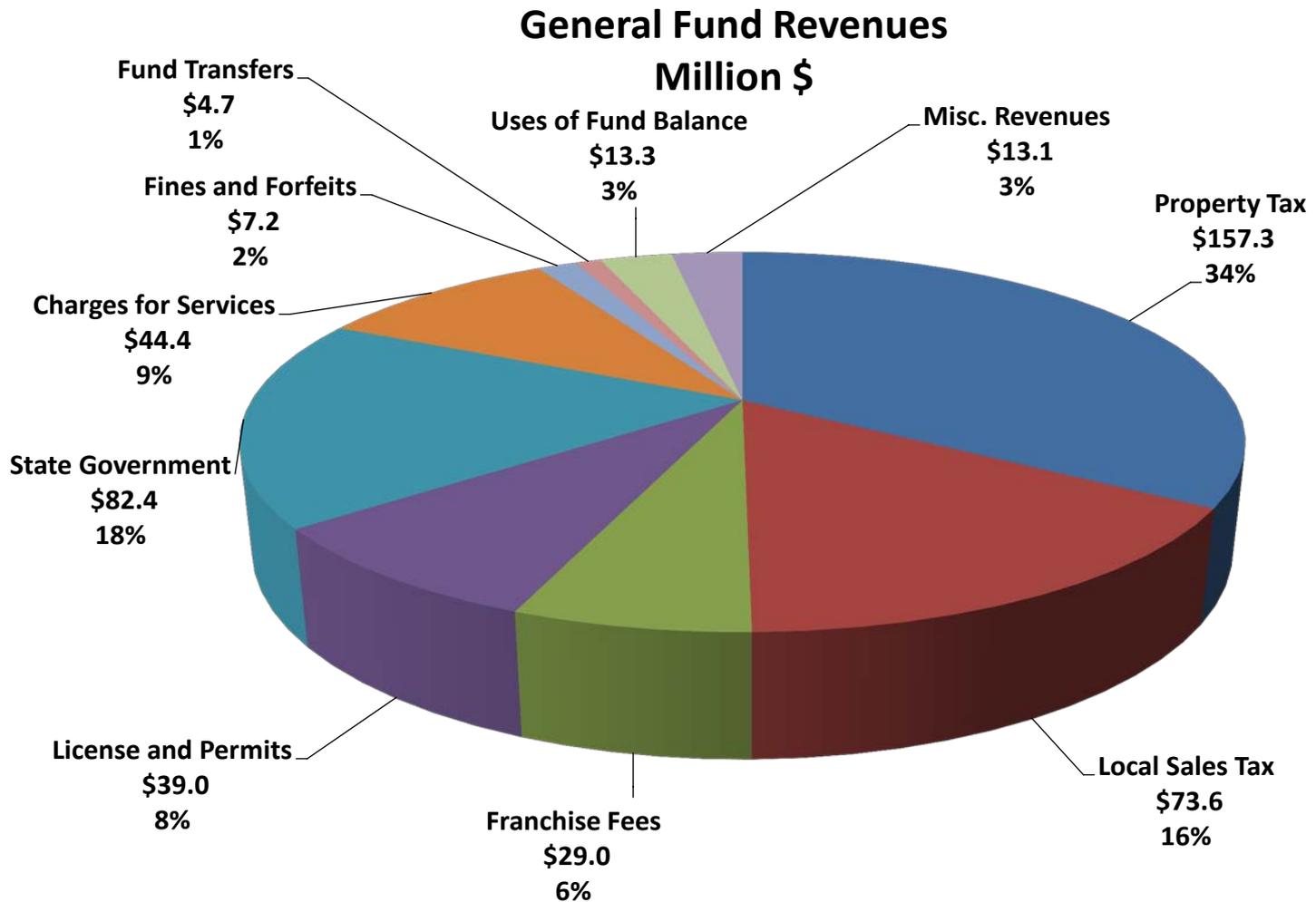
## General Fund Financial Plan

# General Fund – Overview

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- \$464 million, or 35% of total budget
- Department spending: \$400.4 million, or 4% increase from 2014
- General Fund Levy decrease of 1.5% from 2014
- Short-term reliance on transfers

# Mayor's Recommended 2015 Budget General Fund - Source of Funds by Category (\$464.0 Million)



## Mayor's Recommended 2015 Budget

### General Fund - Funds by Category- Comparison to 2014

| <b>Revenue Source</b> | <b>2014 Adopted</b> | <b>2015<br/>Recommended</b> | <b>% Change from<br/>2014 Adopted</b> |
|-----------------------|---------------------|-----------------------------|---------------------------------------|
| Property Tax          | \$159.5             | \$157.3                     | -1.5%                                 |
| Sales Tax             | \$72.2              | \$73.6                      | 2.0%                                  |
| Franchise Fees        | \$26.9              | \$29.0                      | 7.7%                                  |
| License and Permits   | \$36.3              | \$39.0                      | 7.4%                                  |
| State Government      | \$13.9              | \$14.4                      | 4.0%                                  |
| Local Government Aid  | \$66.9              | \$68.0                      | 1.6%                                  |
| Charges for Services  | \$44.0              | \$44.4                      | 0.9%                                  |
| Fines and Forfeits    | \$7.9               | \$7.2                       | -8.2%                                 |
| Fund Transfers        | \$2.3               | \$4.7                       | 101.5%                                |
| Uses of Fund Balance  | \$24.6              | \$13.3                      | -45.8%                                |
| Misc. Revenues        | \$11.8              | \$13.1                      | 11.1%                                 |
| <b>Total</b>          | <b>\$466.3</b>      | <b>\$464.0</b>              | <b>-0.5%</b>                          |

# General Fund – Revenue drivers

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- Property tax payer impact
- Use of Remaining Property Tax Stabilization set-aside
- Fund Balance Availability
- LGA Reinstatement
  - Legislature approved increase of \$1 million
- Increased Permit, License and Fees revenues, resulting from improved economic conditions

# General Fund – Expense Drivers

- Costs associated with salaries and benefits – including PERA contribution changes
- Inflation
- Contractual obligations
- Operating Capital and associated costs
- Program enhancements – on-going
- Program enhancements – one-time

## Mayor's Recommended 2015 Budget

# General Fund – Enhancements (on-going)

- City Attorney –
  - \$90,000 for City's share of two Downtown Probation officers
  - \$75,000 for 1 FTE (Data Management Analyst)
- City Clerk –
  - \$284,000 for 2 program assistants and 1 software engineer
- City Coordinator –
  - \$400,000 for downtown events
  - \$250,000 (including 2 FTEs) for equitable outcomes program
  - \$75,000 for Creative City Making
  - \$40,000 for Creative Index Report
- 911 –
  - \$347,000 to increase staffing by four operators
- Civil Rights -
  - \$100,000 for a Contract Compliance Officer

# General Fund – Enhancements (on-going)

- Communications –
  - \$174,000 for 2 FTEs to support collaboration with the Neighborhood and Community Relations Department
- CPED -
  - \$200,000 for the Homelessness Initiative
  - \$250,000 in Homeownership Counseling and Outreach program
  - \$100,000 in business technical assistance
  - \$75,000 for youth training and development
  - \$100,000 (1 FTE) for construction code services
  - \$94,000 (1 FTE) for a new business licensing position
- Fire -
  - \$400,000 to provide for a class of trainees every year
- Health and Family Support –
  - \$50,000 (.5 FTE) for school based clinics
  - \$70,000 for youth development and sexual health
  - \$100,000 for youth violence prevention
  - \$350,000 (3 FTE) for the food, lodging and pools inspection program

# General Fund – Enhancements (on-going)

- Human Resources –
  - \$25,000 for Enterprise Employee Recognition program
  - \$35,000 for the annual licensing fees for NEOGOV Applicant Tracking System
  - \$100,000 (for 1 FTE) for strategic employment services provided by Human Resources, but targeted for Public Works (reallocation of existing resources).
- Mayor –
  - \$195,000 in ongoing General Fund allocation for additional policy resources.
- Neighborhood and Community Relations -
  - \$150,000 for enlarging the One Minneapolis Fund
  - \$150,000 for 1 FTE (Neighborhood Support Specialist)
- Police -
  - \$996,000 for hiring 20 part time Community Service Officers
  - \$520,000 as a matching requirement for \$520,000 from the Federal COPS Hiring Grant for 10 officers
  - \$100,000 for a Data Specialist

# General Fund – Enhancements (on-going)

- Public Works – Traffic and Parking Services
  - \$350,000 for the Pedestrian Safety Initiative
- Public Works – Transportation Maintenance and Repair
  - \$30,000 for on-street bike lane summer cleaning and winter maintenance
  - \$11,000 dedicated to off-street trail summer cleaning and winter maintenance
  - \$200,000 for sidewalk snow removal and enforcement
- Public Works – Transportation Planning and Engineering
  - \$300,000 to enhance right of way/public realm planning
- Regulatory Services –
  - \$135,000 for 2 animal care technicians to allow animal control officers
  - \$180,000 for fire inspection services
- CARS Program – funding for year one of the 2015-2019 program (\$8.2M)

# General Fund – Enhancements (one-time)

- City Attorney –
  - \$75,000 for Domestic Abuse 24 Hour Hotline Services
  - \$50,000 for Domestic Violence Hot Spot Initiative
- City Coordinator Administration -
  - \$150,000 for 1 FTE to oversee the Clean Energy Partnership
  - \$50,000 relating to the transition of MPHA's medical insurance and related costs
  - \$35,000 for 2020 City of Minneapolis Arts, Culture and the Creative Economy Road Map
  - \$20,000 for full update, design and dissemination of the Creative Index report
- Civil Rights -
  - \$300,000 for conducting a disparity study over the next two years
- Convention Center -
  - \$500,000 transfer to the Convention Center Fund for the purpose of marketing, events and community engagement programming.

## Mayor's Recommended 2015 Budget

# General Fund – Enhancements (one-time)

- CPED -
  - \$1,000,000 for the Affordable Housing Trust Fund program
  - \$125,000 in Homeownership Counseling and Outreach program
  - \$250,000 for planning activities associated with the closure of the Upper Harbor Terminal
  - \$100,000 for policy issues addressing land capacity
  - \$200,000 for construction code services (2 FTE)
- Fire -
  - \$400,000 to enhance on-going training and recruitment activities
  - \$50,000 for continuing development and implementation of outreach to high schools and an alternative hiring process
- Health and Family Support –
  - \$140,000 (1 FTE) for lead and healthy homes
  - \$25,000 to finalize the 2007 Minneapolis Air Quality Study
  - \$72,000 (1 FTE) for tobacco prevention to pursue strategies to prevent exposure to second hand smoke.

## Mayor's Recommended 2015 Budget

# General Fund – Enhancements (one-time)

- Intergovernmental Relations –
  - \$15,000 one-time funding for staff development
- Neighborhood and Community Relations
  - \$150,000 for conducting an evaluation of City programs and services for compliance with ADA Title II requirements
- Police -
  - \$962,000 for hiring 18 Cadets in 2015
- Public Works – Transportation Maintenance and Repair
  - \$150,000 for snow removal from on-street bike lanes
- Public Works – Transportation Planning and Engineering
  - \$75,000 to study intersections identified by the Pedestrian Advisory Committee for pedestrian improvements
- Regulatory Services –
  - \$120,000 for fire inspection services
  - \$30,000 for translation services



# Special Revenue Funds

# Community Development Block Grant

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- The Mayor recommended the estimated funding level for 2015 consistent with the actual 2014 CDBG allocation
- Other entitlement funding for the HOPWA, ESG, and HOME programs also remains at the actual HUD Consolidated Plan amount for 2014
- Departments prepared a plan for 15% reduction in the event that the actual HUD award is substantially reduced.

# Convention Center Fund

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- Operating revenue expectation of \$17.4 million
- Operating expense expectation of \$26.5 million
- Transfer of General Fund of \$50.5 million
- Capital investments for 2015 are budgeted at \$9.5 million



# Enterprise Funds

# Enterprise Funds

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- Public Works Enterprises
  - Sanitary Sewer
  - Stormwater
  - Water
  - Solid Waste

# Enterprise Funds

## Budget Comparison (millions \$)

|  | 2014 Adopted | 2015 Recommended | Change       | \$Diff      |
|--|--------------|------------------|--------------|-------------|
| Solid Waste                              | 33.4         | 42.6             | 27.5%        | 9.2         |
| Water Treatment & Distribution           | 52.4         | 56.0             | 6.7%         | 3.6         |
| Surface Water and Sewer - Stormwater     | 19.4         | 19.4             | -0.2%        |             |
| Surface Water and Sewer - Sanitary Sewer | 48.0         | 56.8             | 18.4%        | 8.8         |
| <b>Total Utility Enterprises</b>         | <b>153.2</b> | <b>174.7</b>     | <b>14.0%</b> | <b>21.6</b> |

# Mayor's Recommended 2015 Budget

## Sanitary Sewer Utility Rates

### *Average Bills and Revenue*

| <b>Recommended Rates for Average Households</b> |                   |   |   |  |
|---|-------------------|---|---|--|
| <b>Year</b>                                     | <b>Fixed Rate</b> | <b>2015 Proposed Rate per unit (100 Cubic feet)</b> | <b>Proposed % increase year to year on usage only</b> | <b>Cost per Month for average household*</b> |
| 2014  | \$3.40            | \$3.14  |   | \$22.24                                      |
| 2015  | \$3.80            | \$3.21  | 2.2 %   | \$23.06                                      |
| 2016  | \$4.20            | \$3.26  | 1.6 %   | \$23.76                                      |
| 2017  | \$4.60            | \$3.31  | 1.5 %   | \$24.46                                      |
| 2018  | \$5.00            | \$3.38  | 2.1 %   | \$25.28                                      |
| 2019  | \$5.40            | \$3.45  | 2.10 %  | \$26.10                                      |

**\* Assumes 5/8" meter and 6 units of Sanitary Sewer usage – pg G30**

# Mayor's Recommended 2015 Budget

## Stormwater Rates

### *Average Bills and Revenue*

| <b>Recommended Rates for Average Households</b> |  |  |                   |
|---|--|--|-------------------|
| <b>Year</b>                                     | <b>Rate / ESU (Equivalent Stormwater Unit) = 1,530 square feet of impervious surface</b> | <b>Cost per Month for average household*</b> | <b>% increase</b> |
| 2014  | \$11.94  | \$11.94                                      |                   |
| 2015  | \$11.94  | \$11.94                                      | 0.0 %             |
| 2016  | \$11.94  | \$11.94                                      | 0.0 %             |
| 2017  | \$11.94  | \$11.94                                      | 0.0 %             |
| 2018  | \$11.94  | \$11.94                                      | 0.0 %             |
| 2019  | \$11.94  | \$11.94                                      | 0.0 %             |

\* Average household is 1 ESU – pg G30

# Mayor's Recommended 2015 Budget

## Water Utility Rates

### *Monthly Cost for Average Consumer*

| <b>Recommended Rates for Average Households</b> |                   |   |   |  |
|---|-------------------|---|---|--|
| <b>Year</b>                                     | <b>Fixed Rate</b> | <b>2015 Proposed Rate per unit<br/>( 100 cubic feet )</b> | <b>Proposed % increase<br/>year to year on usage<br/>only</b> | <b>Cost per Month for average<br/>household*</b> |
| 2014  | \$2.50            | \$3.32  |   | \$25.74  |
| 2015  | \$3.00            | \$3.37  | 1.5 %   | \$26.59  |
| 2016  | \$3.50            | \$3.42  | 1.5 %   | \$27.44  |
| 2017  | \$4.00            | \$3.47  | 1.5 %   | \$28.29  |
| 2018  | \$4.50            | \$3.52  | 1.4 %   | \$29.14  |
| 2019  | \$5.00            | \$3.57  | 1.4 %   | \$29.99  |

\* Assumes 5/8" meter connection and 7 units of water – pg G30

# Mayor's Recommended 2015 Budget

## Combined Utility Bill

### *Monthly Cost for Average Consumer*

| <b>Combined Utility Bill</b>                        |             |                                      |                                |                                       |                      |
|---|-------------|--------------------------------------|--------------------------------|---------------------------------------|----------------------|
| <b>Monthly and Annual cost for average customer</b> |             |                                      |                                |                                       |                      |
|   | <b>2014</b> | <b>2015<br/>Monthly<br/>Average*</b> | <b>2015 Annual<br/>Average</b> | <b>2015 monthly<br/>dollar change</b> | <b>2015 % change</b> |
| <b>Water*</b>                                       | \$25.74     | \$26.59                              | \$319                          | \$0.85                                | 3.3%                 |
| <b>Sanitary Sewer</b>                               | \$22.24     | \$23.06                              | \$277                          | \$0.82                                | 3.7%                 |
| <b>Stormwater</b>                                   | \$11.94     | \$11.94                              | \$143                          | \$0.00                                | 0.0%                 |
| <b>Solid<br/>Waste/Recycling**</b>                  | \$22.60     | \$26.60                              | \$319                          | \$4.00                                | 17.7%                |
| <b>Total</b>  | \$82.52     | \$88.19                              | \$1,058                        | \$5.67                                | 6.9%                 |

\*Assumes average household water and sewer usage

\*\*Assumes organics recycling program established



# Internal Service Funds

# Internal Service Fund Summary

- Intergovernmental Services Fund
  - \$38.0 M for 2015, 13.6% less than 2014 projected (11.3% higher than 2014 *budget*)
  - Debt service payment reduced 71% in 2015 (final year)
  - Transfer from general fund eliminated
- Self-Insurance Fund
  - \$30.9 M for 2014, a 17.0% more than 2014 projected (2.3% higher than 2015 *budget*)
  - Transfer from general fund for long-term debt eliminated
- Fleet Services Fund
  - \$36.8 M in spending for 2015, an 16.1% decrease from 2014 projected, resulting from decreased equipment expenditures
  - General fund contribution for debt service eliminated



# Capital Budget

Presentation of CLIC and Debt next

# Capital Asset Request System (CARS)

## Benefits

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- Opportunity to plan for future needs and replacements
  - Rate models can be adjusted as needed
- Identifies on-going operating costs related to capital
- More collaboration between IT and departments requesting technology
- Creates more equity across departments for obtaining capital equipment
- Provides more transparency in operating budgets
- Second year of implementation

## Mayor's Recommended 2015 Budget

# Capital Asset Request System (CARS)

- Requests planned for 2015-2019
- Total Requests for Five-Years = \$125.2M
- Total Requests for 2015 = \$35.4M

| Request Type | 2015   | 2015-2019 |
|--------------|--------|-----------|
| Replacements | \$22.4 | \$94.9    |
| Additions    | \$7.3  | \$11.4    |
| Upgrades     | \$0.1  | \$0.3     |
| Renovation   | \$4.5  | \$13.3    |
| Other        | \$1.1  | \$5.4     |
| Total        | \$35.4 | \$125.2   |

## Mayor's Recommended 2015 Budget

# Capital Asset Request System (CARS)

- Total Recommendation for 2015 = \$23.8M
- General Fund Resources = \$8.3M
- Other Funding Sources = \$15.6M

| Funding Source                         | Rec Amount |
|--|------------|
| Grants                                 | \$0.3M     |
| Utility/Enterprise Funds               | \$6.5M     |
| Special Revenue/Internal Service Funds | \$8.1M     |
| General Fund                           | \$20.4M    |
| Total                                  | \$23.8M    |

# 2015 Recommended Budget Upcoming Dates

November 18, 6:05 p.m. Public Comment  
December 10, 6:05 p.m. Public Hearing

<http://www.ci.minneapolis.mn.us/finance/budget/WCMS1P-113263>